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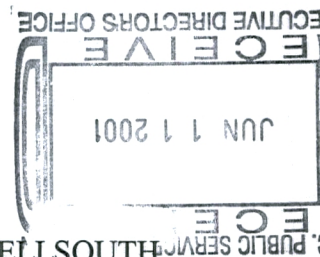
BELLSOUTH TELECOMMUNICATIONS, INC.

REBUTTAL TESTIMONY OF CYNTHIA K. COX

BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

DOCKET NO. 2001-65-C

JUNE 11, 2001



Q. PLEASE STATE YOUR NAME, YOUR POSITION WITH BELLSOUTH
TELECOMMUNICATIONS, INC. ("BELLSOUTH") AND YOUR
BUSINESS ADDRESS.

A. My name is Cynthia K. Cox. I am employed by BellSouth as Senior Director
for State Regulatory for the nine-state BellSouth region. My business address
is 675 West Peachtree Street, Atlanta, Georgia 30375.

Q. ARE YOU THE SAME CYNTHIA COX THAT PREVIOUSLY FILED
TESTIMONY IN THIS PROCEEDING?

A. Yes. I filed Direct testimony on February 16, 2001, and Supplemental Direct
testimony on April 25, 2001.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my rebuttal testimony is to respond to policy issues addressed
in the direct testimony filed on behalf of various parties in this proceeding.
Specifically, I will respond to the testimony of Jake Jennings as filed on behalf

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1 of NewSouth Communications, Don Wood as filed on behalf of NewSouth
 2 Communications, NuVox Communications, Broadslate Networks,
 3 ITC^DeltaCom Communications and KMC Telecom (collectively, the
 4 “Competitive Coalition”), James McDaniel as filed on behalf of the Public
 5 Service Commission of South Carolina (“Commission”) and Allen Buckalew
 6 as filed on behalf of the South Carolina Consumer Advocate.

7
 8 Q. PLEASE RESPOND TO MR. WOOD’S CONTENTION AT PAGE 11 THAT
 9 BELL SOUTH HAS THE “INCENTIVE TO PROPOSE RATES FOR UNES
 10 THAT WILL DELAY OR PREVENT THE DEVELOPMENT OF
 11 COMPETITION FOR THE SERVICES THAT IT OFFERS.”

12
 13 A. Mr. Wood’s statement is nothing more than rhetoric intended to deflect this
 14 Commission from the fact that providing telecommunications facilities is not
 15 cheap. Using the FCC’s costing and pricing methodology, BellSouth has
 16 identified the costs (both capital and expense) that it incurs, and has proposed
 17 rates equal to those costs. The fact that, in some cases, BellSouth’s proposed
 18 UNE rates are higher than BellSouth’s retail rates is not the result of an attempt
 19 on BellSouth’s part to limit competition. It is certainly not “news” to this
 20 Commission that BellSouth’s retail residence local exchange rates are below
 21 the cost of providing that service. Mr. Wood attempts to paint BellSouth with
 22 the “monopoly” brush. Competitive local exchange carriers (“CLECs”),
 23 however, have been successful in winning business customers, in part due to
 24 the margin between BellSouth’s business local exchange rates and BellSouth’s
 25

1 UNE rates. Additionally, Mr. Wood conveniently ignores the availability of
2 resale that provides for a discount off of the tariffed retail rate.

3
4 Q. MR. WOOD AND MR. JENNINGS EACH ADDRESS THE ILEC'S
5 OBLIGATION TO PROVIDE COMBINATIONS OF UNEs TO CLECs.
6 DOES BELL SOUTH PROVIDE UNE COMBINATIONS TO CLECs UPON
7 REQUEST?

8
9 A. Yes. BellSouth provides combinations of UNEs to CLECs consistent with
10 BellSouth's obligations under the 1996 Act, applicable FCC rules and this
11 Commission's order. As Mr. Jennings notes, this Commission has already
12 addressed this issue and has affirmed BellSouth's position that BellSouth will
13 provide UNE combinations to CLECs at cost-based prices if the elements are,
14 in fact, combined to the location the CLEC wishes to serve. Specifically, in its
15 Order in Docket No. 2001-19-C (IDS Arbitration), this Commission has
16 correctly observed that FCC Rules 51.315(c) and (d), which would support Mr.
17 Wood's and Mr. Jennings's position, have been vacated by the 8th Circuit Court
18 of Appeals. Further, this Commission has correctly observed that the FCC
19 expressly declined to interpret Rule 51.315(b) as requiring incumbents to
20 combine network elements that are ordinarily combined. Therefore, as Mr.
21 Jennings acknowledges, this Commission has addressed this issue. Nothing
22 has changed since that time to warrant a different decision by this Commission
23 to now require BellSouth to combine elements for CLECs when the elements
24 are not already combined to the location the CLEC wishes to serve.

25

1 As the Eighth Circuit Court of Appeals confirmed in its July 18, 2000 decision,
2 BellSouth has no obligation to combine network elements for CLECs when
3 those elements are not currently combined in BellSouth's network. Mr. Wood
4 and Mr. Jennings inappropriately seek to have this Commission require
5 BellSouth to perform, at cost-based rates, the physical combining of the
6 elements when the elements are not currently combined. Their contention is
7 that the phrases "currently combines" and "ordinarily combines" mean that if
8 BellSouth combines the requested UNEs anywhere in its network, BellSouth
9 must produce the same combination of UNEs whenever and wherever a CLEC
10 demands, even if the elements are not, in fact, combined in BellSouth's
11 network to the requested location.

12
13 Q. WHAT IS THE BASIS FOR BELL SOUTH'S POSITION?

14
15 A. In the FCC's Third Report and Order and Fourth Further Notice of Proposed
16 Rulemaking, FCC 99-238, released November 5, 1999 ("UNE Remand
17 Order"), the FCC confirmed that ILECs presently have no obligation to
18 combine network elements for CLECs when those elements are not currently
19 combined in BellSouth's network. The FCC rules, Section 51.315(c)-(f), that
20 purported to require incumbent LECs to combine unbundled network elements
21 were vacated by the Eighth Circuit, and those rules were neither appealed to
22 nor reinstated by the Supreme Court.

23
24 On July 18, 2000, the Eighth Circuit Court held that Incumbent Local
25 Exchange Carriers ("ILECs") are not obligated to combine UNEs, and it

1 reaffirmed that the FCC's Rules 51.315(c)-(f) remain vacated. Specifically,
 2 referring to Section 251(c)(3) of the 1996 Act that requires ILECs to provide
 3 UNEs in a manner that allows requesting carriers to combine such elements in
 4 order to provide telecommunications services, the Eighth Circuit stated: "[h]ere
 5 Congress has directly spoken on the issue of who shall combine previously
 6 uncombined network elements. It is the requesting carriers who shall 'combine
 7 such elements.' It is not the duty of the ILECs to 'perform the functions
 8 necessary to combine unbundled network elements in any manner' as required
 9 by the FCC's rule."

10
 11 Q. HOW DID THE FCC ADDRESS BELL SOUTH'S OBLIGATION TO
 12 COMBINE UNES IN ITS UNE REMAND ORDER?

13
 14 A. The FCC concluded that BellSouth has no obligation to combine UNEs. As
 15 the FCC made clear, Rule 51.315(b) applies to elements that are "in fact"
 16 combined, stating that "[t]o the extent an unbundled loop is in fact connected
 17 to unbundled dedicated transport, the statute and our rule 51.315(b) require the
 18 incumbent to provide such elements to requesting carriers in combined form."
 19 (§ 480). The FCC declined to adopt a definition of "currently combines," as
 20 AT&T proposes in this case, that would include all elements "ordinarily
 21 combined" in the incumbent's network. (*Id.*). Indeed, the FCC specifically
 22 declined to "interpret rule 51.315(b) as requiring incumbents to combine
 23 unbundled network elements that are 'ordinarily combined'" (*Id.*). It is
 24 nonsensical to suggest that the FCC meant for its Rule 51.315(b) to cover
 25 anything other than specific pre-existing combinations of elements for a

1 customer when the FCC's orders specifically state that ILECs are not required
2 to combine elements.

3
4 At page 59, Mr. Wood cites ¶479 of the UNE Remand Order as support for his
5 contention that the FCC requires ILECs to physically combine unbundled
6 network elements for CLECs. He has taken this paragraph completely out of
7 context. In this paragraph, the FCC simply described the two sides of the
8 issue. The FCC then stated that "because this matter is currently pending
9 before the Eighth Circuit, we decline to address these arguments at this time."
10 Of course, the Eighth Circuit's ruling supports BellSouth's position that ILECs
11 are only required to provide UNEs in combination to CLECs where the UNEs
12 are, in fact, combined.

13
14 Q. HAVE EITHER MR. WOOD OR MR. JENNINGS PROVIDED ANY
15 RATIONALE TO THE COMMISSION AS TO WHY BELL SOUTH
16 SHOULD BE REQUIRED TO COMBINE UNEs FOR CLECs AT COST-
17 BASED RATES?

18
19 A. No. They each cite federal rule 47 C.F.R. §51.315(b) that forbids ILECs such
20 as BellSouth from separating requested network elements that are currently
21 combined as support for its clearly erroneous position that BellSouth should
22 physically combine UNEs for CLECs. BellSouth agrees that it cannot separate
23 elements that are currently combined, unless asked to do so by the CLEC.
24 That, however, is not the issue here.

25

1 As I previously explained, federal rule 47 C.F.R. §51.315(c) that required
 2 ILECs to combine elements for CLECs is vacated.

3
 4 Vacated subpart (c) states:

5 Upon request, an incumbent LEC shall perform the functions necessary
 6 to combine unbundled network elements in any manner, even if those
 7 elements are not ordinarily combined in the incumbent LEC's
 8 network....

9 Indeed, the fact that this rule is vacated makes clear that ILECs have no
 10 obligation under the Act to perform the functions necessary to combine
 11 network elements for CLECs at all, and certainly not at cost-based rates.

12
 13 These two provisions – subparts (b) and (c) – as originally proposed by the
 14 FCC, collectively defined the ILECs' obligation relating to network
 15 combinations. However, subpart (b), which precludes separation of previously
 16 combined UNES, is in effect, and subpart (c), which requires the ILEC to
 17 combine UNES for the CLEC, is vacated.

18
 19 Q. WHY IS IT GENERALLY NOT IN THE PUBLIC INTEREST TO REQUIRE
 20 BELL SOUTH TO COMBINE UNES?

21
 22 A. First, requiring BellSouth to combine UNES does not benefit consumers as a
 23 general matter, and would unnecessarily reduce the overall degree of
 24 competition in the market. Congress established several means to introduce
 25 competition, namely, resale, unbundling and facilities constructed by new

entrants. The requirements of the 1996 Act attempt to balance these three entry methods such that firms use the most efficient method. However, the greatest benefits occur when firms build their own facilities. Expanding BellSouth's obligations beyond the 1996 Act's requirements would upset the balance intended by the 1996 Act.

Second, requiring BellSouth to combine UNEs at cost-based prices, particularly at prices based on Total Element Long Run Incremental Cost ("TELRIC"), reduces BellSouth's incentive to invest in new capabilities. TELRIC-based prices do not cover the actual cost of the elements, let alone do such prices represent a fair price in the market place.

Finally, requiring BellSouth to combine elements where such combinations do not, in fact, exist is inconsistent with the 1996 Act's basic purpose, which is to introduce competition into the local market. The intent was not to subsidize competitors where CLECs have reasonable alternatives to BellSouth combining UNEs. CLECs can combine the UNEs themselves in collocation spaces, use alternatives to collocation such as the assembly point option, or build their own facilities.

Clearly, expanding BellSouth's obligation to include combining UNEs does not benefit consumers. Such action only provides an unwarranted subsidy to CLECs, removes incentives for BellSouth to invest in its network, and discourages CLECs from building their own networks.

1 Q. CAN CLECs IN SOUTH CAROLINA STILL COMPETE VIGOROUSLY
2 FOR LOCAL SERVICE WITHOUT HAVING BELL SOUTH COMBINE
3 UNES AT COST-BASED PRICES WHEN SUCH UNES ARE NOT
4 CURRENTLY COMBINED?

5
6 A. They certainly can. There are over 1.6 million lines in service provided by
7 BellSouth in South Carolina today. Each of those lines consists of existing
8 combined facilities that CLECs can, in fact, purchase from BellSouth at cost-
9 based rates. In addition, CLECs have several means to serve both new and
10 existing customers, other than by having BellSouth combine UNEs. Any
11 argument that CLECs cannot compete because BellSouth won't physically
12 combine UNEs at cost-based rates just doesn't make sense.

13
14 Q. PLEASE RESPOND TO MR. WOOD'S CONTENTION AT PAGE 66 THAT
15 BELL SOUTH "WOULD BE ABLE TO PREVENT WIDESPREAD
16 MARKET ENTRY FOR RESIDENTIAL AND SMALL BUSINESS
17 CUSTOMERS" IF THIS COMMISSION DOES NOT REQUIRE
18 BELL SOUTH TO PHYSICALLY COMBINE UNES FOR CLECs.

19
20 A. Indeed, Mr. Wood's contention is quite curious. As I stated above, there are
21 over 1.6 million lines in service in South Carolina today, any one of which is
22 available to any CLEC as an existing combination at cost-based rates. If that is
23 not a vehicle for CLECs to gain "widespread market entry," I can't imagine
24 what would be. Any CLEC can request that any of those lines be provided to
25 the CLEC on a "switch-as-is" basis, which means that the CLEC can have the

1 existing combination of elements at cost-based rates. In fact, BellSouth's
2 proposed nonrecurring charge for this conversion is less than \$.20. By simply
3 placing an order requesting that these already combined elements be provided
4 to a CLEC as UNE combinations, which BellSouth is obligated to do, a CLEC
5 could take every single customer BellSouth has in South Carolina.

6
7 However, instead of doing that, the companies that Mr. Wood and Mr.
8 Jennings represent apparently prefer to spend this Commission's time arguing
9 that competition is hampered in South Carolina as a result of BellSouth's
10 refusal to physically combine elements at cost-based rates for CLECs when the
11 elements are not already combined in BellSouth's network. As I have
12 explained, if a CLEC wins the customer, BellSouth agrees that it will transfer
13 that customer's service to the CLEC using a "combination" of loops and ports
14 at cost-based rates. However, Mr. Wood still argues that BellSouth can stifle
15 competition in South Carolina by refusing to do the CLEC's work for it for
16 "new" customers, or for customers who want to add another line.

17
18 Q. IN BELLSOUTH'S NETWORK, COULD THERE EXIST A SCENARIO
19 WHEREIN THE LOOP AND THE PORT ARE COMBINED, AND THERE
20 IS DIAL TONE ON THE LINE, BUT THERE IS NO SERVICE BEING
21 PROVIDED TO A PARTICULAR CUSTOMER AT THAT PARTICULAR
22 LOCATION?

23
24 A. Yes. This arrangement is typically referred to as "QuickService." Consider a
25 customer that has been receiving local exchange service from BellSouth, and

1 the customer sells his house and moves. He calls BellSouth to have his service
2 disconnected. Generally, it is BellSouth's policy to leave those facilities
3 connected through from the customer's network interface device ("NID") to
4 the main distributing frame ("MDF") in the central office. The connection on
5 the MDF between the loop and the switch port is also left in place. Thus,
6 there will be dial tone on the line, but there is no service being provided for
7 which a customer is paying BellSouth. If one were to plug a phone into a jack
8 in that house and access the line, one would hear a recording advising that the
9 caller can place a 911 emergency call from the line and that they must use
10 another line to order service. Additionally, no incoming calls could be
11 received over this line. The assumption is that the existing facilities will be re-
12 used to provide service to a new customer at that same location. However, in
13 the event that the port of a portion of the loop is needed to fill a service order at
14 another location where no other facilities are available, the QuickService
15 facility will be taken apart so that service can be provided at the alternate
16 location. In that case, the loop and the port will no longer be combined to the
17 original location. Where such facilities are combined in BellSouth's network
18 (that is, where QuickService has been applied to a disconnected line),
19 BellSouth will provide the combination to a requesting CLEC at cost-based
20 rates.

21
22 Q. PLEASE RESPOND TO THE "SERVICE" SCENARIOS THAT MR. WOOD
23 DISCUSSES IN HIS TESTIMONY AT PAGE 65, LINE 13 THROUGH
24 PAGE 66, LINE 13.
25

1 A. Mr. Wood poses a scenario where a BellSouth customer (Mr. Jones) currently
2 has local exchange service to his residence, and he sells his house to Mr. Smith
3 who wants to obtain his local exchange service from a CLEC. Mr. Wood
4 contends that because Mr. Jones is not an existing BellSouth customer, that
5 BellSouth would not agree that the facilities to the house are physically
6 connected for the purpose of defining a UNE combination that the CLEC could
7 purchase. This scenario, however, is the QuickService scenario I previously
8 discussed. As I explained, BellSouth will provide combinations of loops and
9 ports where the loops and ports that were previously providing service to a
10 particular customer at a particular location have been left connected but simply
11 deactivated. In such cases, BellSouth will provide the UNEs as a combination
12 at TELRIC-based prices if the only work required is to input translations into
13 the switch so that the service is activated. A CLEC would be required to pay a
14 nonrecurring price to cover the cost of such activation. Therefore, if the
15 facilities to Mr. Jones house have been left connected through from the NID to
16 the MDF, and the connection on the MDF between the loop and the switch port
17 has also been left in place (i.e., QuickService), then the CLEC could purchase
18 the loop/port combination from BellSouth to serve Mr. Smith.

19
20 Mr. Wood's other scenario posits that Mr. Jones, who is currently a BellSouth
21 customer, builds a new house down the street. Mr. Wood contends that a
22 CLEC should be entitled to obtain facilities to provide Mr. Jones' service at the
23 new house as a UNE combination. Obviously the facilities to a new house are
24 not magically combined. Physical work must occur in order to combine the
25 loop and the port. However, Mr. Wood blithely states that "the connection

1 from the new house to the BellSouth network (including the loop to port
2 combination) would have been established,” presumably by BellSouth. Indeed,
3 there is no reason to assume that BellSouth even has facilities to Mr. Jones’
4 new house, much less that the facilities have already been combined.
5

6 Q. WHEN BELLSOUTH PROVIDES A CUSTOMER WITH AN ADDITIONAL
7 LINE, OR SERVES A NEW PREMISES, DOESN’T BELLSOUTH HAVE
8 TO COMBINE NETWORK ELEMENTS?
9

10 A. Physical work will usually be required to combine the elements that are used to
11 provide the service, and BellSouth incurs the cost of performing such work.
12 Mr. Wood appears to contend that, because BellSouth would have to do this
13 work if it is serving the customer, BellSouth should do the work when a CLEC
14 is going to serve the customer. Mr. Wood’s proposal would obviously be the
15 most efficient solution for the CLEC, because the CLEC would get the benefit
16 of BellSouth having done the CLEC’s work, and BellSouth would have
17 incurred all the cost with no compensation from the CLEC.
18

19 Q. PLEASE RESPOND TO MR. JENNINGS’ STATEMENT ON PAGE 5 OF
20 HIS TESTIMONY THAT BELLSOUTH’S REFUSAL TO PROVIDE A
21 CLEC WITH A COMBINATION OF ELEMENTS WHEN THESE
22 ELEMENTS ARE NOT PHYSICALLY COMBINED “RAISES A CLEC’S
23 COSTS UNNECESSARILY”.
24
25

1 A. Mr. Jennings is incorrect. His discussion presumes that a CLEC must have
2 collocation to enable it to combine network elements, but that is not the case.
3 There are various other ways that CLECs can obtain UNE combinations, such
4 as via resale and conversion, by using the assembly point option and by
5 building its own facilities.

6
7 Q. UPON REQUEST, WILL BELL SOUTH COMBINE ELEMENTS FOR
8 CLECs AT A MARKET-BASED RATE?

9
10 A. Yes. In fact, several CLECs have requested that BellSouth provide the service
11 of combining elements on the CLECs' behalf. These CLECs have entered into
12 amendments to their interconnection agreements with BellSouth. The rates
13 these CLECs pay for new combinations are market-based and appropriately
14 compensate BellSouth for the service it is providing.

15
16 Q. PLEASE RESPOND TO MR. WOOD'S REFERENCES TO THE GEORGIA
17 COMMISSION'S ORDER IN DOCKET NO. 10692-U. (WOOD AT PAGE
18 63, LINE 3 THROUGH PAGE 64, LINE 17).

19
20 A. Mr. Wood accurately quotes from the Georgia Commission's Order dated
21 February 1, 2000, concerning the definition of "currently combines." He
22 omits, however, the Georgia Commission's statement that "if the Eighth
23 Circuit Court of Appeals determines that ILECs have no legal obligation to
24 combine UNEs under the Federal Act, the Commission will reevaluate its
25 decision with regard to the requirement that BellSouth provide combinations of

1 typically combined elements where the particular elements being ordered are
2 not actually physically connected at the time the order is placed.” (Order at
3 page 22). As Mr. Wood notes, in recent 252 arbitrations, the Georgia
4 Commission has affirmed its decision regarding provision of new UNE
5 combinations. Nonetheless, as I explained earlier, the FCC has clearly made
6 the determination that, under current rules, ILECs have no obligation to
7 combine elements for CLECs. Further, various other state commissions,
8 including this Commission, have ruled consistent with BellSouth’s position on
9 this issue and counter to the Georgia Commission’s decision.
10

11 Q. WHAT DOES BELL SOUTH REQUEST OF THIS COMMISSION?
12

13 A. BellSouth requests this Commission affirm its previous ruling on this issue by
14 finding that BellSouth is obligated to provide combinations to CLECs only
15 where such combinations currently, in fact, exist to the location the CLEC
16 wishes to serve. Nothing further is required or should be required of BellSouth
17 in this regard.
18

19 Q. PLEASE RESPOND TO MR. WOOD’S DISCUSSION ON PAGES 67-70 OF
20 BELL SOUTH’S PROPOSED RECURRING RATE FOR VERTICAL
21 FEATURES.
22

23 A. BellSouth’s proposal in this proceeding packages access to all of the features
24 and functions of the switch into one element (cost element B.4.13 on Exhibit
25 CKC-1). Mr. Wood erroneously contends that BellSouth’s packaging of

1 vertical features into one element violates the 1996 Act and the FCC's rules for
2 unbundled network elements. In fact, the FCC identified the switch port as a
3 UNE, and determined that CLECs should gain access to all features and
4 functions through the switch port. The FCC has made no determination that
5 there is not an incremental cost associated with use of the features. Indeed, As
6 Ms. Caldwell discusses in her testimony, this Commission has previously
7 determined that it is appropriate to establish a separate charge for features.
8

9 On page 69, Mr. Wood states that the "Florida, Georgia, Kentucky and
10 Tennessee Commissions have adopted zero rates for features." First, I would
11 note that the Alabama, Louisiana, Mississippi and North Carolina
12 Commissions, as well as this Commission, have previously established feature
13 rates. Second, the Florida Commission recently established a "Features per
14 port" rate of \$2.17 per month in its Order No. PSC-01-1181-FOF-TP issued
15 May 25, 2001, in its generic pricing Docket No. 990649-TP. In the current
16 generic pricing Docket No. U-24714(A) in Louisiana, the Commission Staff
17 consultant recommended a "Features per port" rate of \$2.68. The North
18 Carolina Utilities Commission, in its Recommended Order issued June 7,
19 2001, in its generic pricing Docket No. P-100, Sub 133d, affirmed its earlier
20 decision that ILECs may charge CLECs for features separate from the port
21 charge.
22

23 To put this issue in perspective, it is reasonable to assume that the rate a CLEC
24 would charge its end user for one vertical feature would more than cover
25

1 BellSouth's proposed rate for all vertical features. Mr. Wood's attempt to "get
2 something for nothing" should not be sanctioned by this Commission.

3

4 Q. PLEASE RESPOND TO MR. McDANIEL'S COMMENTS ON PAGE 7
5 CONCERNING BELL SOUTH'S PROPOSED NONRECURRING RATES
6 FOR VARIOUS UNEs.

7

8 A. Mr. McDaniel notes that CLECs have argued that BellSouth's nonrecurring
9 charges are a barrier to entry into the competitive market. I would make two
10 observations on that point. First, as discussed earlier in my testimony,
11 BellSouth's proposed rate of \$.20 enables a CLEC to convert any of the 1.6
12 million access lines in South Carolina today to a combination of UNEs. This
13 can hardly be considered a barrier to entry. Second, BellSouth estimates that
14 CLECs in South Carolina have captured approximately 20% of the business
15 market and 4% of the residence market. Obviously, CLECS are effectively
16 competing in South Carolina.

17

18 Mr. McDaniel correctly notes that BellSouth has proposed in this docket to
19 divide the nonrecurring charge into separate connect and disconnect charges.
20 While Mr. McDaniel does not comment on whether he believes such a rate
21 structure is appropriate, I would note that this structure reduces the initial
22 nonrecurring charge the CLEC pays to BellSouth by deferring payment of the
23 disconnect cost until the time that the disconnect actually occurs. Therefore,
24 this rate structure is advantageous to the CLEC.

25

1 Q. IS MR. BUCKALEW'S DEFINITION OF LINE SHARING ON PAGE 7 OF
2 HIS TESTIMONY ACCURATE?

3
4 A. No. Mr. Buckalew does not recognize the very important distinction between
5 "line sharing" and "line splitting." This distinction can easily be summarized.
6 In line sharing, the ILEC provides voice service to an end user over the same
7 loop used by a CLEC to provide a data service to that same end user. In line
8 splitting however, a CLEC provides the voice service over the same loop used
9 by another CLEC to provide a data service to that same end user. In other
10 words, in line splitting, the ILEC is not involved in providing any service
11 directly to the end user.

12
13 Q. WHY IS THIS DISTINCTION IMPORTANT?

14
15 A. This distinction is important because ILECs are only obligated to share the
16 spectrum of loops that the ILEC is using to provide voice service to the
17 customer. Mr. Buckalew apparently assumes that CLECs will agree to share
18 the spectrum of loops ordered as UNEs from BellSouth, yet there is no
19 requirement that they do so. Moreover, Mr. Buckalew's recommendation to
20 split the loop cost 50-50 between the voice and data service providers removes
21 any incentive for CLECs to engage in such sharing. For any CLEC, the cost of
22 a loop will be the same, regardless of whether the CLEC shares its loop or not.
23 Thus, under Mr. Buckalew's proposal, a CLEC would prefer to have its own
24 dedicated loop to provide its particular service, rather than deal with the
25 additional administrative burden of sharing that loop with another CLEC. Mr.

1 Buckalew's proposal would actually eliminate one of the main benefits
2 generated by the FCC's line sharing and line splitting options by ensuring that
3 the excess capacity of loops goes unutilized.
4

5 Q. IS THERE A BETTER ALTERNATIVE TO MR. BUCKALEW'S
6 PROPOSAL?
7

8 A. Yes. Any two CLECs that desire to engage in a line splitting arrangement can
9 do so by negotiating such an agreement. Through this negotiation process,
10 which is similar to the process that would occur between the two investors in
11 Mr. Buckalew's example on page 14, the two CLECs can mutually agree
12 regarding how best to share the cost of the underlying loop. Mr. Buckalew
13 does not provide any compelling reason for why this decision should be made
14 through regulatory fiat.
15

16 Q. ARE THERE ADDITIONAL PROBLEMS WITH MR. BUCKALEW'S
17 PROPOSAL?
18

19 A. Yes. The cost that BellSouth incurs to provision a loop to a CLEC does not
20 depend upon the extent to which that CLEC decides to use the loop, or upon
21 the service or services that the CLEC intends to provide over that loop. If the
22 Commission were to adopt Mr. Buckalew's proposal, BellSouth would be
23 powerless to recover 50% of the cost of each loop that provides only a data or a
24 voice service. Indeed, the only way in which BellSouth could possibly recover
25 the TELRIC cost of providing loops under Mr. Buckalew's proposal would be

1 if every loop in service supported both a voice and data service. Clearly, such
 2 a scenario is entirely unrealistic and unachievable.

3
 4 Q. HAS THE FCC ADDRESSED THE ISSUE OF COST RECOVERY FOR
 5 THE LOOP?

6
 7 A. Yes. In its December 9, 1999, Line Sharing Order the FCC stated, “[w]e
 8 conclude that, in arbitrations and in setting interim prices, states may require
 9 that incumbent LECs charge no more to competitive LECs for access to shared
 10 local loops than the amount of loop costs the incumbent LEC allocated to
 11 ADSL services when it established its interstate retail rates for those services.
 12 This is a straightforward and practical approach for establishing rates
 13 consistent with the general pro-competitive purposed underlying the TELRIC
 14 principles.” (See *In Re: Deployment of Wireline Services Offering Advanced*
 15 *Telecommunications Capability and Implementation of the Local Competition*
 16 *Provisions of the Telecommunications Act of 1996*, Order No. FCC 99-355 in
 17 CC Docket Nos. 98-147 and 96-98, at ¶139).

18
 19 The FCC’s stated concern was the potential for a price squeeze if ILECs were
 20 to “allocate little or no costs to their xDSL services, while competitive LECs,
 21 when offering xDSL service, must purchase access to a second line and pay for
 22 the related unbundled network element rates, which includes a loop cost for an
 23 entire loop.” (*Id.* at ¶141). The FCC determined that “[b]y requiring
 24 incumbent LECs to provide access to the shared local loops for no more than
 25 they allocate to their own xDSL services, the price squeeze may be redressed

1 by ensuring competitive LECs and ILECs incur the same cost for access to the
 2 bandwidth required to provide xDSL services.” (*Id.*). BellSouth allocated
 3 none of the shared loop cost to its interstate ADSL service offering. Therefore,
 4 consistent with the FCC’s directive, BellSouth allocates none of the shared
 5 loop cost to the high frequency portion of the loop.

6
 7 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

8
 9 A. Yes.

10
 11 PC DOCS 392537

STATE OF SOUTH CAROLINA)
) CERTIFICATE OF SERVICE
 COUNTY OF RICHLAND)

The undersigned, Susan Davis Gibson, hereby certifies that she is employed by the Legal Department for BellSouth Telecommunications, Inc. ("BellSouth") and that she has caused the Rebuttal Testimony of Cynthia K. Cox to be served by placing such in the care and custody of the United States Postal Service, with first-class postage affixed thereto and addressed to the following this June 11, 2001:

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